



THE FUTURE OF COMMUNITY FOUNDATIONS

A TRANSATLANTIC PERSPECTIVE

A Report by the TCFN Academy
June 2007

THE TRANSATLANTIC COMMUNITY FOUNDATION NETWORK

Created in 1999 by the Bertelsmann Stiftung with the support and advice of the C.S. Mott Foundation, the Transatlantic Community Foundation Network (TCFN) is a learning community comprising community foundations and support organizations from Europe, North America, and Mexico.

The TCFN provides a platform for the exchange of experience and expertise among community foundations on both sides of the Atlantic. It seeks to identify good practice and share it with emerging and existing community foundations. In addition, its goal is to foster the development of this form of philanthropy in countries where the concept is still new. By pursuing strategies, which strengthen the capacity of community foundations on both sides of the Atlantic, the Network strives to contribute to the growth and advancement of the field.

Two phases of the Network have been completed: the first from 1999 to 2002, and the second from 2002 to mid-2005. The Bertelsmann Stiftung and the Mott Foundation renewed their commitment for a third phase, which began in late 2005 and will continue into 2008.

THE TCFN ACADEMY

The TCFN Academy is a virtual think tank whose main purpose is to work on the strategic issues that are relevant to the international community foundation movement. Like a corporate university, the Academy is a platform leveraging the broad base of knowledge and insight resident within the diverse participant base of the Network. Additionally, the Academy provides a venue for studying important community foundation issues from a multinational, cross-cultural perspective. This is one of the Network's distinctive competencies, and the Academy encourages thoughtful assessment of practice-relevant issues for broad-based dissemination to the transatlantic and global community foundation fields.

The Academy is convened annually and involves unique constellations of practitioners and support organization professionals from both sides of the Atlantic. Topics for study are identified by the Network and include both cross-cultural matters (e.g., the role of language and culture in community foundation practice), as well as more generic practice issues (e.g., the future of community philanthropy) examined from a diversity of cultural perspectives.

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The first TCFN Academy convening, conducted February 2006 at Stanford University in Palo Alto, California, brought together leading thinkers and practitioners from both sides of the Atlantic to explore the future of the community foundation movement. Participants in the 2006 TCFN Academy were:

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INTRODUCTION

In a time of accelerating change in our communities and rapid growth in community-based philanthropic organizations, the future of community foundations in the transatlantic region holds great promise. To achieve our full potential, however, community foundations are well advised to anticipate the key trends that will shape the environment in which we work, and to develop appropriate strategies for leveraging those trends in support of our work.

On the Brink of New Promise, a 2005 report funded by the Ford and C.S. Mott Foundations and produced by U.S.-based consultants Lucy Bernholz, Katherine Fulton and Gabriel Kasper, tackled the issue of the future of American community foundations. Deliberately challenging and thought-provoking, the report has pushed community foundations and the organizations that support them to question assumptions and consider ways the trajectory of philanthropy may change over the coming decades. In addition to the TCFN participants, the authors of *On the Brink of New Promise* were in attendance at the 2006 Academy and helped to facilitate the review of their report and the initial discussion regarding the future of community philanthropy from an international perspective.

The Academy chose *On the Brink of New Promise* as a starting point for our exploration because the report has been read and discussed not just among the more than 600 community foundations in the United States, but by a wide range of people working to develop community-based philanthropy in all parts of the world. Intended to be focused on the U.S., the report has left international readers asking:

- To what extent is the report relevant to our contexts?
- Which aspects of the U.S. community foundation situation have parallels internationally?
- Which of the authors' conclusions can be applied to community foundations outside of the U.S.?
- Equally important, in what ways is the global community foundation movement different from the context described in the report?
- Which of the report's findings and recommendations make sense for the international movement and which have less relevance?

The Academy saw the report as a way to begin a broader inquiry. Aside from those described in the U.S., what other major trends or concepts should community foundations outside of the U.S. be anticipating and exploring? How should we be planning today to ensure our work is successful in the world we will inherit over the next generation?

Over the course of two days the Academy met and began what promises to be an ongoing discussion about the future of community foundations transatlantically and globally – a discussion that continues not just among TCFN members, but throughout the international philanthropic community. This document outlines the dominant themes of the Academy's discussion and includes short analyses of the specific situations in the countries represented at the Academy. We hope it will be seen as a welcome addition to strategic explorations of this topic on both sides of the Atlantic, and perhaps beyond.

How should we be planning today to ensure our work is successful in the world we will inherit over the next generation?

NEW PROMISE: THE TRANSATLANTIC VIEW

By Robert H. Martin

Robert H. Martin is a senior consultant with Community Planning & Research LLC, a U.S.-based research and strategic consulting firm focused on support for grantmakers and nonprofit organizations.

Because *On the Brink of New Promise* has generated lively debate on both sides of the Atlantic, the TCFN Academy began its discussion by asking how the report's lessons might be applied in a transatlantic context.

Academy participants were quick to point out that European community foundations cannot be viewed as singular in nature. Some differences within Europe may be more pronounced than those across the Atlantic. Yet among the report's many elements, several stood out as being broadly relevant to non-U.S. community foundations. In particular, the report identified several phenomena which resonate in a transatlantic context and which directly impact community foundations:

- Demographic shifts are likely to accelerate, although in some European contexts the aging of the population may be more pronounced.
- There is a new expectation for public problem-solving – a shift, in effect, from government-based to private-sector and community-based solutions. In some countries (e.g., post-Soviet societies) this transition has been quite dramatic, particularly since the decline of the public sector has preceded the development of a robust private sector. In both North America and Europe, failures in all sectors have shrunk the public's trust in institutions of all kinds.
- The NGO sector seems extremely fragile, particularly in countries where the creation of community philanthropy is concurrent with the emergence of the first NGOs. Throughout the transatlantic region, NGOs are being asked to tackle a greater number of problems as well as problems of increasing complexity, while resources and capacity are not keeping pace.

DIFFERENT CONTEXTS, DIFFERENT CONCLUSIONS

Although the Academy found some similarities in the trends shaping the environments in which community foundations on both sides of the Atlantic are working, the group felt that many of the central strategic conclusions of *On the Brink of New Promise* were developmentally inappropriate for most European, Mexican and Canadian community foundations.

The first recommendation of the report was that community foundations shift from focusing inwardly on institutional infrastructure and preservation to outward focus on community need and benefit. Many Academy members found this idea affirming and a reminder to hold a focus on community benefit as a primary vision of the community foundation. Yet any focus on community impact has to be balanced with sufficient attention to developing the institution so that it is robust and credible – to donors, to NGOs and to members of the community at large. The simple fact is that most developing community foundations – including many of the smallest, newer foundations in the U.S. – must focus on developing their institutions so they are viable. For these organizations, the goal is crea-

tion of the institution. At the same time, some European and Mexican community foundations have experiences and learnings that could inform the community impact work of more established U.S. community foundations. “The learning we have is that, although we are following the steps of U.S. community foundations to learn how to do things, we must not go too far, to one extreme,” notes Hilary Gilbert, former director of the Derbyshire Community Foundation, United Kingdom. “This is a red light to tell us, yes, we should institutionalize, but not lose focus on community.”

Community Foundations of Canada President and CEO Monica Patten adds, “We’ve always been more into the community leadership camp than has occurred in the U.S. All our community foundations began with community leadership. I think it’s about context, not about continents.”

The second report conclusion is that community foundations must shift from being asset managers to being long-term leaders in our communities. Again, Academy members view this as a cautionary lesson about what could happen if asset-building and transactional donor relationships were taken to the extreme. Today, however, this is far from the reality of most developing, non-U.S. community foundations. Endowment growth may not be the best success measure, but it is critical to the ability of community foundations to fulfill their missions. “Endowment does matter, because sustainability matters,” argues Maureen Molot, a former board chair at Community Foundation of Ottawa, Canada. “Sustainability matters for our organizations and for philanthropy, for all of the organizations with which we work, to whom we make grants, and without which we’d be nowhere.”

WINGS Director Gaynor Humphreys adds, “I’ve worked with a few community foundations in the U.K. that have become the perfect grantmakers, but had not made it a priority to build assets and learn how to raise their own funds, rather than manage grantmaking from public bodies. We still need, in many countries, to encourage a focus on building resources.”

Third on the report’s list of strategic conclusions is that community foundations must shift from a posture of “competitive independence” to one in which we work collaboratively for coordinated impact. This scenario, once again, describes an environment that is unique to the U.S. – where community foundations are competing for the attention of an increasingly sophisticated base of donors, whose options include myriad NGOs, commercial giving vehicles and innovative, technology driven philanthropic solutions. “U.S. community foundations have to watch their backs,” observes Togliatti (Russia) Community Foundation’s Svetlana Pushkareva. “The issue of competition makes sense in the U.S. context but not in Russia or Eastern Europe. I wish we had that, but our community foundations operate in more of a vacuum.”

If the warning about competitive posture seems irrelevant in non-U.S. markets, however, the call for collaborative solutions is embraced. Academy members note that the shift in problem-solving from government to the private sector requires a shift in thinking toward collaboration. Community foundations are uniquely positioned to facilitate these arrangements with outside entities and among themselves. Communities will become stronger by moving past the question, “Who is responsible for what?” to answer, “How do we do it together?”

The issue of competition makes sense in the U.S. context but not in Russia or Eastern Europe, where community foundations operate in more of a vacuum.

“It’s very difficult to speak on behalf of Europe,” remarks Jana Kunicka, CPI Coordinator at the European Foundation Centre. “The relevance of the report changes in Europe from north to south and west to east. In many respects

the suggestions made for U.S. community foundations – the shifts – there are parts of Europe where those recommendations might be in reverse, because we started [where the report says U.S. foundations should head].”

TRANSATLANTIC TRENDS

The Academy’s discussion of *On the Brink of New Promise* quickly led in new directions specific to the emerging and evolving European and North American community foundation movement. The group named five general, long-term trends it sees as beginning to shape local communities and which community foundations must eventually address if they are to be relevant and vital going forward. Although the specifics within a given country or region may vary, the underlying premise is simple: as our communities evolve, so must community philanthropy.

Trend #1: Technology-driven change

The development and proliferation of new technologies will continue and lead our societies in directions almost impossible to predict. Technology impacts the way we do our work – contributing, for example, to the emergence of consumer-driven philanthropy “markets” in which community foundations will be only one of many choices available to customers. Technology also changes the very nature of community – potentially changing the way communities conceive of themselves. Technology also acts as a wedge as our societies divide once again into those who have access and benefit from the latest technologies and those who are left behind. These disparities are within communities, within countries and across continents. The potential for growing disparity is huge.

Trend #2: Demographic shifts

Societies on both sides of the Atlantic are becoming dramatically more mobile, more ethnically, racially and religiously diverse, older and wealthier. These shifts will have profound impact on community foundations’ ability to generate assets, and they will shape the future needs of the communities in which we work. This trend, and the one above, speaks to the challenges and opportunities of inclusiveness in the continuing work of community foundations.

Trend #3: Social divides

Technology is but one way in which our societies divide. We also separate into rich and poor, the sacred and the secular, the young and the old, etc. Globally, the world is more starkly divided than ever into closed and open societies. How will community foundations be called on to bridge these divides? How can community-based philanthropy best contribute to the ongoing development of civil society?

Trend #4: Environmental change

Many Academy members speak of a growing worldwide awareness about environmental issues. Although threats to the environment may be cross-border or even global in nature, their impacts are felt most acutely in local communities. Healthy communities depend on livable environments, yet what role can community foundations play to help address problems of such complex and massive nature? For a number of community foundations and the communities they serve, a healthful, sustainable environment is considered a significant local (and national) asset and a focus of community foundation work and priorities.

Trend #5: The need for crisis response

Massive population growth means that large-scale disasters of all kinds – whether natural or man-made in origin – have dramatically more potential to harm people. Much as with environmental threats, the possibility of catastrophic events is simultaneously much bigger than can possibly be resolved by any single community, yet it is our communities that are at risk. Whether the threat is a global pandemic, terrorism, drought or flood, there is increased pressure

on community foundations to be prepared to respond quickly, effectively and fairly during a crisis. This suggests that cooperation among community foundations internationally needs to be a key feature in the development of the global network, not simply for large crises, but for the increasing internationalization of philanthropy across a wide range of issues.

Many of the trends and issues facing community foundations on both sides of the Atlantic will, of necessity, involve political actions locally and at the national level. This suggests that, increasingly, community foundations will face difficult decisions about political involvement and balancing the need to serve a broad base of donors with the possibility of making systemic change that could produce significant gains.

PATHS FORWARD

The Academy identified a series of strategies transatlantic community foundations will depend on to shape the future of community-based philanthropy:

- **Knowledge management.** There was broad agreement that all community foundations will depend more and more on the ability to collect and use knowledge about our communities. This is knowledge that drives the development of solutions and which creates value for donors. Knowledge management is also the core concern of community foundations that wish to share best practices and cutting-edge innovations. How can community foundations exchange learnings efficiently and effectively in order to accelerate the development of the movement?
- **Tax law reform.** Although every country has distinct regulatory and tax law, we all share the critical need for an environment that promotes community philanthropy.
- **Transactional efficiency.** Although the root causes are different, there are pressures on both sides of the Atlantic to maximize transactional efficiencies. One example is the possibility of using shared back offices to reduce administrative and overhead costs. Tight control of costs is critical in Europe and North America alike to ensure sustainability.
- **Corporate partnerships.** The growth of private-sector problem-solving and the recognition that our communities share similar problems suggests that community foundations might turn more deliberately to companies – especially multinational corporations with employees and customers in many communities – as partners. The most mature examples of this type of partnership are in evidence in a number of countries, including the U.S., U.K. and Russia.
- **Cross-border giving.** Increasingly mobile populations and long-distance communications technologies are driving a subtle shift among donors who are beginning to direct their community philanthropy outside their local geographic communities. How can community foundations best serve the interests of these donors and the needs of the communities they care about?
- **Strengthening support infrastructure.** Some of the strategies outlined above may be achieved best through the coordination of an umbrella organization advocating for and advancing the objectives of the community foundation movement. Alternately, networks – both formal and informal – might hold great promise for advancing our work. How can we strengthen our support organizations so that they can strengthen our movement? How can we best leverage existing networks? Can simple and relatively low-cost technologies enable individuals to contact,

support and advise one another in the interest of advancing the field globally without creating a vast, new infrastructure?

Much of the Academy's discussion focused on the very nature of the community foundation model. Just as there is no single template within the U.S. for "community foundation," the variations on a theme are many throughout the rest of North America and Europe. Although each community foundation looks unique, the Academy believes the focus areas listed above will be of critical importance to all in the coming decades.

CONTINUING THE DIALOG

The central conclusions of *On the Brink of New Promise* underscore the fact that the U.S. community foundation model is not necessarily farther along a progressive developmental timeline, with European foundations playing catch-up. In many ways the emerging European models have much to offer U.S. foundations. The American focus on asset-building and grantmaking as the primary strategies for driving change stand in contrast to innovative practices in other parts of the world where there is less wealth and where the culture of philanthropy is much younger.

Still, some participants strike a cautionary note. "I have a nervousness that we might throw the baby out with the bathwater," says Monica Patten. "There is extraordinary innovation going on in the U.S. I would worry a bit that we're now going to the other extreme: 'what's happening in the U.S. is old stuff and what we're creating elsewhere is innovative and good.' There is fabulous stuff happening in the U.S."

"I fear community foundations could become harder to distinguish from nonprofit organizations," cautions Bernardino Casadei, Program Director of Community Foundations at Cariplo Foundation, Milan, Italy. "The importance of giving is the human relationship. You need to really understand your business, that you are there to provide people with the opportunity to do something beautiful."

The analysis of the future of community philanthropy from a transatlantic perspective represents a unique and valuable opportunity for the community foundation movement to intentionally and strategically chart a course for its future. In the spirit of continuing inquiry, the Academy proposes a number of key questions for further consideration and exploration. These include:

- What **other forms and models** of community philanthropy development, beyond the analysis of the traditional U.S. model, are useful as a point of reference for thinking about the future of community philanthropy in other countries and cultures?
- Are the five major developmental **trends** identified by Academy participants relevant to circumstances in diverse countries? How can these trends be refined and clarified to maximize their value for further development of the field transatlantically and internationally? What can we predict for the future of international community philanthropy based on these trends?
- Are the six **strategies** identified by Academy participants the right ones for advancing the field in countries outside of the U.S.? How can these strategies be refined to best guide the development of community philanthropy transatlantically and internationally? What scenarios or vision do these strategies suggest for the future of international community philanthropy?

- What are **further learnings** from this discussion and what actions need to be taken by the international community foundation field to support community foundations remaining relevant, effective actors in the globalizing philanthropy sector?
- What other **research and analysis** of the development of community philanthropy would be useful to community foundation practitioners, support organizations and others concerned with encouraging community philanthropy in diverse countries and cultures transatlantically and internationally?

These and other questions are considered, in part, in the individual country analyses, which comprise the second part of this report. The Academy offers these analyses in the spirit of dialog and in the hope that community foundations on both sides of the Atlantic and around the globe may benefit from the ideas they present.

BULGARIA

Community Foundation Trends and Strategies

By Monika Pisankaneva

Monika Pisankaneva is a program officer with the Trust for Civil Society in Central and Eastern Europe, based in Sofia, Bulgaria.

HISTORY AND CURRENT SITUATION

Community support for education, culture and charity developed organically in Bulgaria in the 19th century and had strong impact until World War II, but was effectively wiped out during the 50 years of centralized communist rule. Consequently, the concept of community foundations was regarded as a novelty after 1990 in an environment of forgotten local philanthropic traditions. International donor programs were largely responsible for reintroducing community-based philanthropy to Bulgaria.

In 1997 and 1998 the U.S.-based C.S. Mott Foundation funded a challenge grant program to encourage Open Society Clubs – which had spread throughout the country in the early to mid 90s with support from George Soros and the Open Society Foundation – to transform into community foundations. Some of these – in particular Varna and Rousse – demonstrated success in building short-term funds from local resources. After the Mott challenge funding ended, however, local fundraising gradually declined.

In 2000 the Civil Society Development Foundation (CSDF), in Sofia, organized several seminars and round tables on various topics relating to the founding and operation of community foundations. Three community foundations were legally registered as a result of CSDF support: Plovdiv, Lovech and Burgas. City governments allocated some budget and in-kind support to these organizations, but the contribution from local business was quite limited. The main function of these community foundations was not to raise money from private donors but to serve as a vehicle for allocating city funds to local NGOs and to manage flow-through grants coming from external donors. One fund stopped functioning soon after registration, while the other two disbursed some flow-through grants but never developed significant local fundraising capacity.

In October 2001, Counterpart International began a five-year program, funded by USAID, to support the development of community foundations in Bulgaria. Unlike the first two programs, which provided very modest technical support, the Counterpart International program provided extensive and ongoing training in addition to seed grants and matching grants to local groups that wanted to establish and develop community foundations. As a result ten community foundations (called “community funds”) were legally established and gradually developed as local grantmakers. They were created in part to foster cross-sector partnership, and their founders included representatives of local business, local government and civil society leaders. The organizations currently raise funds from both large and small local donors in support of civic initiatives, which are typically identified by means of community forums and other participatory methods.

In the second half of 2006, USAID decided to extend its support to the Bulgarian community foundations until the agency’s phase out from Bulgaria in 2008. It gave a grant to the Trust for Civil Society in Central and Eastern Europe to continue matching locally accumulated funds by the community foundations and help them affirm their

role as local grantmakers. USAID's grant was leveraged by C.S. Mott Foundation, which led to the creation of the Bulgaria Community Foundations Development Fund at the CEE Trust. This Fund will provide matching grants for immediate re-granting until June 2009. After that, C.S. Mott foundation has indicated it might consider providing endowment support to some of the community foundations with the best performance indicators.

In early 2007 there were ten active community funds: Blagoevgrad, Chepelare, Gabrovo, Lom, Pazardjik, Sliven, Stara Zagora, Tutrakan, Vratsa and Yambol. They are undergoing a gradual transition from implementing community-identified projects to making grants to grassroots organizations; some still do both. This mixed model better fit the prevailing attitude towards philanthropy, which attached great importance to a direct relationship between donor and beneficiary. At first, local donors hesitated to use the community funds as intermediaries between them and other NGOs. In fact, local government entirely stopped giving money to the community funds when they changed their approach from direct implementation to grantmaking. This attitude has been re-evaluated today, as the municipal administrations began to see the community foundations as partners in supporting third-sector development, and to differentiate them from other NGOs.

Although local fundraising is a priority, most of the community foundations also work to attract external project grants to subsidize operating costs. When they engage in direct implementation today, the community foundations usually collaborate with multiple partners, acting as coordinators of the partnerships and bridge-builders between local governments, grassroots NGOs and businesses. Longer-term, their goal is to become valued as local grantmakers, gradually relinquishing project implementation.

None of the Bulgarian community foundations has yet started to develop an endowment. They operate using pass-through funds and depend on annual contributions, which vary between €7,500/ US\$10,000 and €50,000/ US\$60,000 per year depending on the capacity of the foundation. Most have built permanent circles of donors, and new donors constantly join to support new projects. Temporary, project-specific funds are set up for initiatives that have been identified in participatory ways by citizens. Recently, some of the more experienced community foundations – those that have been in operation since 2002 or 2003 – began creating donor-advised funds. The hope is that these will result in long-term donor engagement with the foundation's activities. Most of these are field-of-interest funds, which support specific projects selected jointly by the donor and the foundation board. Often, a field-of-interest fund is created by a group of donors who pool smaller gifts and who invite other donors to join. Matching grants from external donors have been a strong motivating factor for local donors since the community foundations' inception. Beyond cash incentives, these grants and the involvement of foreign funders legitimize the community foundations in an environment where there is low civic trust in NGOs.

Bulgarian community foundations have fostered the development of "horizontal" philanthropy by mobilizing communities to solve existing problems. The foundations have pioneered methods such as community forums, in which participants identify the issues they wish to tackle, and collaborative fundraising done jointly with potential grantees and beneficiaries. The rationale for these methods is simple: citizens, who are involved in developing a project, are also among the first to donate for its implementation. The foundations seek major gifts from larger donors to match the contributions raised by thousands of small donors. Joint fundraising carried out by the community fund and a potential grant recipient stands in contrast to traditional grantmaking schemes, but serves to empower a number of local organizations by enhancing their fundraising skills. Evaluations of this approach show positive results not just for the community funds and their grantees, but also for donors who wish to know a potential project implementer before committing their support.

Bulgaria's ten community foundations have implemented projects primarily in the following areas: improvement of the living environment (renovation of parks, street lights, etc.), healthcare (renovation of hospitals; drug-prevention projects); and sports and tourism development. They also have distributed over 100 small grants in the last three years in the areas of education (improving conditions for study at public schools and kindergartens), extracurricular youth programs (summer camps), support for disadvantaged groups (food banks, soup kitchens), and sports (participation in tournaments by local sports clubs).

In 2005 the community foundations established their own association. Its goals are to develop legally recognized standards for community foundations; to network its members for the promotion of knowledge exchange; and to represent them in front of government and external donors. (The association does not recognize several recently established organizations that call themselves "community foundations" or "community social assistance funds" but are entirely funded by external grants, without local fundraising.) The association aims to identify other community foundation-like organizations from around the country – those that already exist and any that are in formation – and to invite as members those that wish to develop as community foundations.

TRENDS AND CHALLENGES

Community foundation development is part of a recent movement in Bulgaria emphasizing the need to make philanthropy more efficient and effective. Although still humanitarian in nature – most donations address pressing human needs and aim to alleviate suffering – philanthropy is becoming part of the popular consciousness, to the extent of becoming fashionable, patronized by famous personalities and covered by the mass media.

Several distinct factors impacting philanthropy were outlined in a 2005 analysis made by Bulgarian Charities' Aid Foundation:

- **Natural disasters** (the tsunami in South Asia in the end of 2004 and the floods in Bulgaria in the summer of 2005) have strengthened community solidarity and inspired waves of charitable initiatives, including approximately ten national relief campaigns organized by a variety of institutions.
- **Mass media** have greatly enhanced charity campaigns and have started to organize their own philanthropic promotions.
- Use of **new technologies** for giving is making philanthropy more egalitarian; the most widely used form of giving in 2005 was a text messaging-based (SMS) system.
- **Politics** is a focal point, with a lot of corporate giving in 2005 directed toward the parliamentary elections.
- **Economic stabilization** has had a positive influence on philanthropy, although the economic indices for Bulgaria are still far behind the average for the E.U., and 12 percent of the population remains below the poverty level.
- **Legal and tax environment** changes thus far are a mixed bag: 2005 saw intensive law making in the sphere of philanthropy. Donors now receive increased tax benefits – but only for the handful of causes that have been privileged by legislators (children's health, art and culture). In general, lawmakers paid little attention to the recommendations of philanthropy-support organizations, which had been coordinated by the Bulgarian Donors' Forum. State-managed charitable funds arguably drive the largest donors away from NGO-supported causes, because companies receive tax deductions that are five times greater by donating to the government funds.

Other noteworthy characteristics of Bulgarian philanthropy include:

- Giving by companies and individuals is growing: the percentage of donors who give on an annual basis has increased continuously over the last five years.
- Although the prevailing attitude is that philanthropy should involve a direct relationship between donor and beneficiary, there is a gradual increase of the use of intermediaries in giving, signaling a growing public awareness that some philanthropy can be more effective when it is organized by professionals.
- There is a slow increase in partnerships between companies and NGOs in implementing corporate social responsibility.
- The state assumed the role of intermediary by creating state-managed charitable funds – a development which philanthropy-support organizations consider problematic.
- Tax benefits are still the least important incentive for giving.
- The issue of low trust in NGOs and foundations remains a major factor that determines some donors' attitudes to giving and motivates them to direct their contributions to the state-managed funds.

In 2007 the Bulgarian Donors' Forum spearheaded an initiative of its members for streamlining state policy concerning philanthropy, drawing on in-depth research to rework some of the laws that impact giving. The Forum and state officials also brainstormed about possible tax assignment laws (so-called “percentage philanthropy”) and, in general, about how to create a more philanthropy-friendly environment. The effect of these collective efforts is yet to be seen.

Community foundations are seeing increased individual and corporate giving but still do not have relationships with the largest donors, who operate locally but tend to give to national causes. Community foundations sometimes compete with other issue-based charitable funds to attract limited local resources. To avoid that, many initiate joint fundraising campaigns with other local philanthropic organizations and negotiate responsibility for overseeing disbursement of collected money.

Sustainability is a major challenge for Bulgarian community foundations. Local residents have high expectations of their community foundations, but at the same time most donors hesitate to give funds for administrative costs. In the best case scenario the community foundation charges a fee of about five percent on donations. Given the modest level of giving, however, such fees are insufficient for maintaining a strong operating structure. The foundations have relied on external matching funds to compensate for this deficiency.

On the positive side, the Bulgarian community funds have managed to develop strong identities as bridge-builders and social entrepreneurs. They are seen as effective at initiating public dialogue on important issues, linking stakeholders who might otherwise not have worked together, and stimulating innovation. They have enhanced community solidarity and inspired people of moderate or even low income to contribute to solving problems that affect their lives. In this way, they have developed previously non-existent sources of funding, whose capacity will continue to grow as more people see gradual improvement in their economic situations.

STRATEGIES FOR THE FUTURE

Bulgarian community foundations believe the path to sustainability is one of enhanced community leadership – a combination of “vertical” and “horizontal” forms of philanthropy, expanded grantmaking and development of various mission-related for-profit activities.

Endowment is not perceived as a feasible strategy for sustainability in the short run. With the financial support of the WINGS Global Fund for Community Foundations, the Bulgarian community foundations began developing a joint strategy for endowment building in 2007. They conducted an in-depth analysis of the environment for endowment creation and identified several critical issues which will affect their work in this direction. First and foremost is the lack of legal definition of endowment, which will obstruct the dissemination of the concept among the local donors. Other issues relate to the limited local sources of funding, interrupted philanthropy traditions, and a lack of internal capacity of the foundations. Effectively coping with these problems in order to be able to start building their endowments will be on the agenda of the Bulgarian community foundations in the next few years.

Because local sources of funding are not that abundant, the Bulgarian community foundations are exploring alternatives to endowment as a way of achieving sustainability. Some have developed mission-related income-generating enterprises, while others are building long-term partnerships that would allow them to cover administrative costs, including scenarios such as managing public funds dedicated to NGOs as a permanent source of income. An example of an income-generating enterprise comes via Pazardjik Community Fund, which operates a video wall that charges fees for broadcasting of companies' ads while broadcasting information about NGOs at no charge. Most of the foundations believe that their survival, especially in the next few years, will depend on their ability to maintain a mixed fundraising model (partially supporting themselves through grants and implementation of programs, while focusing on local accumulation of funds).

High expectations are placed on Bulgaria's Association of Community Foundations by its individual member foundations. They hope the Association will build strategic partnerships with national-level companies to support local initiatives. Also, members expect the Association to promote standards for community foundations that will be acknowledged by the government, will serve to maintain a good public image and will avoid misuse of the name "community foundation" by organizations that do not meet standards for transparency and accountability. In other words, community foundations want the Association to legitimize their efforts and develop support networks at the national level, which in turn will allow them to expand their local donor networks.

CANADA

Community Foundation Trends and Strategies

By Monica Patten and Maureen Molot

Monica Patten is president and CEO of Community Foundations of Canada. Maureen Molot is professor of international affairs at Carleton University, Ottawa.

HISTORY AND CURRENT SITUATION

Canada's first community foundation, The Winnipeg Foundation, was established in 1921, making it among the first in North America. By the mid-fifties Winnipeg had been joined by Victoria, Vancouver and Hamilton. A lull of several decades preceded rapid growth in the eighties in Toronto, Ottawa, Calgary and Edmonton as well as in numerous smaller Canadian communities. That growth has continued: by 1993 there were about 35 community foundations and today there are over 150.

Early community foundations were developed, for the most part, by established and recognized community leaders, such as people of wealth, bankers or lawyers, or even other organizations such as United Ways. Their premise was to build permanent endowments for the good of their communities, but the foundations' boards did not necessarily see their institutions as being "owned" by their communities. The foundations seldom promoted themselves to anyone but prospective donors, and records of early discussions reveal that many believed it was not necessary for the public to know about the foundation. They earned the reputation of being "the best-kept secret" and somewhat elitist.

The 90s saw an explosion of community foundation development across the country. In contrast to the first Canadian community foundations, this newer generation of foundations was more commonly started by community leaders from all walks of life, by local service clubs, and occasionally by local governments. No longer did community foundations describe their mission as being to develop permanent funds. They began to talk about the importance of building strong communities and saw the funds they raised from generous donors as the means to this end, not the end in itself. It became common to hear community foundations describe themselves as "vehicles" for philanthropy, shifting the emphasis from giving *to* the community foundation to giving *through* the community foundation.

In the early 90s the foundations set up their own national network, Community Foundations of Canada (CFC). Their vision was for CFC to be a facilitator and connector, trainer and educator, and promoter of the concept. Over the years CFC has itself grown strong and has played a significant role in supporting the growth of the movement, its visibility and influence, its standards of performance, and its ability to leverage financial resources for the movement as a whole. CFC, whose board of directors is made up of member foundations, remains one of a handful of philanthropy associations anywhere in the world focusing exclusively on community foundation development.

Today there are over 150 community foundations with membership in CFC, and together they have the potential to reach 89% of the Canadian population. They exist in rural communities, in large urban areas and in everything in between. They share in common a commitment to three roles: building permanent funds that are well invested, making grants that meet a wide variety of community priorities, and demonstrating community leadership by working in partnerships and convening community groups and citizens around a number of themes and issues.

Growth in assets has been remarkable: at the end of 2006 Canadian community foundations collectively held roughly \$3 billion CDN (€2.0/ US\$2.8 billion) and in 2006 granted over \$135 million CDN (€75/ US\$100 million) for community priorities. Simultaneously, community foundations are witnessing tremendous growth in visibility and in their sphere of influence locally, regionally and nationally. These trends are due in part to social and economic restructuring in Canadian communities. The gap between rich and poor is growing, but the rich and middle class do have more wealth to give away and much more attention is being paid to philanthropy as a result. Today, for example, philanthropy and community foundations receive coverage in newspapers that simply would not have happened a decade ago.

A few years ago several community foundations began to work in a more focused way on specific difficult issues, including the environment, housing, immigration and poverty. With support from CFC they formed peer learning groups, began to work collaboratively and took advantage of some financial resources CFC secured to help advance their work. At the same time, a formal program to engage youth took root (now in about 55 community foundations), several community foundations entered into a partnership with a major bank, and the whole movement began to work toward a major national marketing initiative.

Early in 2006 eight community foundations drew on the experience of Toronto Community Foundation to create their own “annual checkup” to measure the vitality of their community. Vital Signs, as the program is known in all communities, will be the basis for common reporting on key indicators. It is hoped these simple, easy-to-read and compelling reports will inform donors, be a backdrop for more effective local grantmaking, and connect community foundations to their communities in new ways. By 2009 it is expected that 25 community foundations will issue Vital Signs reports.

TRENDS AND CHALLENGES

Much of the movement’s rapid growth and new direction has been brought about by a changing landscape. Donor-advised funds now are offered by numerous for profit and nonprofit institutions. This represents competition for some while for others offers motivation to hone skills in areas in which community foundations excel and can make their mark, such as community leadership. Conversely, new and favorable tax legislation has proven to be a powerful incentive, and in recent years some community foundations have received sizeable gifts as a result including at least one gift of \$100 million CDN, several of \$50 million CDN, and many others approaching \$1 million CDN. Opportunities to work with governments have presented themselves in the last few years, and there is much discussion about the implications of such partnerships. Exposure to international colleagues and programs has introduced new ideas, and learning and exchange opportunities within Canada have created an appetite for working more collaboratively as a group of community foundations.

The growth in financial resources as well as in effectiveness and relevance will continue only if community foundations respond to some important trends. They include but are not limited to the fact that Canada’s is an aging population. Dramatic levels of immigration are bringing new cultural values and practices to many parts of the country. Canada is witnessing an increasingly uneven distribution of wealth. At the same time, the nation’s very identity is evolving: while many lament the decline of small, rural communities, others focus on the nation’s developing role on the larger world stage. The environment also has emerged in the last year as a central priority for a growing number of Canadian communities. Community foundations will need to deepen their knowledge about their changing communities and country and are beginning, through initiatives like Vital Signs, to do so.

The pace of growth that is occurring may well challenge community foundations and CFC. Staff turnover is an issue in some foundations, succession planning is rare, and in general human resource practices are not keeping up with the growing and changing foundation workplace. Many opportunities are put in front of community foundations and not all can be followed up, causing some frustration as they see possibilities slipping away. Importantly, the many opportunities and external competitive pressures community foundations face are pressing them to seek more efficient practices, more shared back-office services, and more attention to their own management and governance practices.

STRATEGIES FOR THE FUTURE

A number of major initiatives are seen as critical to the future of Canadian community foundations. All will be supported by CFC: Some will receive funding from national donors through CFC, others will be facilitated by CFC, and still others will be observed by CFC as they develop and become of potential nationwide relevance.

- Several community foundations have begun to work together to bring **efficiencies** to their operations. This is driven not only by the need to control costs but also by the desire to allocate precious human resources away from administrative work and toward activities that impact our communities.
- **Knowledge management** is a more pressing issue, as foundations share learnings and experiences more openly so they can avoid mistakes or adopt good practices that have been tested by colleagues. Also, more community foundations will take up Vital Signs as a standard tool for assessing community need.
- In addition to being an important indicator of need, Vital Signs is a tool for communicating with constituents. The movement as a whole will continue national **marketing** work with a more focused branding approach.

CZECH REPUBLIC

Community Foundation Trends and Strategies

By Tomáš Krejci

Tomáš Krejci is executive director of Community Foundation of the Euroregion Labe, Ústí nad Labem, in the Czech Republic.

HISTORY AND CURRENT SITUATION

Serious discussion about the community foundation concept began in the Czech Republic in 1994. Its main promoters were the VIA Foundation (in cooperation with Community Foundation Silicon Valley, California), C.S. Mott Foundation, Open Society Fund Prague (George Soros Foundation), and the Regional Fund Foundation, which in 1997 became the first and only formally established community foundation (and in 2004 changed its name to Community Foundation of Euroregion Labe). Located in the Ústí region, this foundation was started in 1993 to focus on the needs of disabled people but subsequently expanded its vision and mission to address community needs more holistically.

Between 1998 and 2004 there were two multi-year programs in the Czech Republic focused on developing community-based organizations. Established under the auspices of a variety of international funders, these initiatives were quite successful except in their stated secondary goal of fostering the development of community foundations.

At the end of 2005 a new program was launched to build community foundations in the Czech Republic. This effort was financed by the CEE Trust (Trust for Civil Society in Central and Eastern Europe) and administrated by the VIA Foundation. Five organizations have been participating: the existing community foundation in Ústí, two local foundations which are in the process of transforming into community foundations, and two civic associations which are preparing to establish community foundations. In June 2006 this group created and published a document declaring basic parameters and requirements for community foundations in the Czech Republic. Later that year, the group established the Czech Association of Community Foundations, which in October 2006 held its first conference.

In 2005 these five groups had a collective endowment of €2.4 /US\$3.3 million and made grants totaling €00,000/ US\$135,000. Together they serve roughly 15 percent of the country's population. In addition to this core group there are about 20 local and regional foundations in the Czech Republic that are partly familiar with the community foundation concept. Each of these foundations, however, focuses on a specific field of interest in its region (e.g., environmental protection, healthcare, etc.) or operates through the exclusive support of a single donor.

TRENDS AND CHALLENGES

Technology-driven change and crisis-driven philanthropy are two visible trends in the country. Three years ago a new giving vehicle was introduced tied to mobile telephone text messaging (SMS). It allows anyone to make a modest donation (roughly €1/ US\$1.5) to an eligible charity easily and transparently by sending a simple text message via a mobile phone. All mobile phone operators unified this process and gave up their fees, and the entire system is operated under the auspices of the Czech Donors Forum (Association of Foundations). This system has been used successfully by a wide spectrum of people, most commonly in response to public crises (tsunami, floods, etc.). In just

two years the text-message donor platform became the most effective tool of fundraising around disasters and major crises. On the other hand, it usually fails when used at the local level or for raising funds for any purpose that is not extremely easy to explain and be understood by the public.

Corporate social responsibility has emerged as an important idea, which is being adopted not just by multinational corporations but also small and medium enterprises operating at local levels. Thanks to this trend community foundations have an opportunity to offer professional services in the field of giving, which is one of the main aspects of the corporate social responsibility concept.

Simultaneously, individual and corporate givers are maturing in their approach to philanthropy. After the fall of communism 16 years ago, charitable giving re-emerged for the first time in decades. During the first decade of this philanthropy renaissance individual and corporate donors seemed to be driven primarily by emotion, focused on current needs in order to “do good.” Now donors are starting to think more strategically about their giving and increasingly direct their support to projects based on their potential for success and not only on need. Donors have started asking to see the results of their giving and are asking grantees to measure outcomes. This also represents an important opportunity for community foundations to bring value to those donors as models of modern, strategic philanthropy.

STRATEGIES FOR THE FUTURE

The key issue for the future of existing and emerging community foundations in the Czech Republic is how to assure their long-term sustainability. The core group of five emerging community foundations has prioritized the following strategies:

- Strengthen, diversify and expand the of base of local donors
- Develop donor services – specifically the ability to manage corporate and individual funds
- Focus on raising permanent (endowed) gifts
- Collaborate as a group to approach national and international corporations
- Play an active role in designing and implementing corporate social responsibility activities of current and prospective corporate donors

Czech community foundations are also concerned about finding transactional efficiencies, especially because they rely so heavily on support from the business sector. In the business world, of course, there is a great deal of attention paid toward fees (as a percentage of overall charitable giving).

In parallel, the establishment of the Czech Association of Community Foundations is a critical step in the development of philanthropy support infrastructure. A central goal of the association is to expand the geographic coverage of community foundations by identifying groups and interested in the community foundation concept. Another priority is to build awareness about community foundations among prospective donors and also the general public through published promotional materials and visibility campaigns in national media.

GERMANY

Community Foundation Trends and Strategies

By Peter Walkenhorst

Peter Walkenhorst is program director of community foundations at the Bertelsmann Stiftung, Gütersloh, Germany.

HISTORY AND CURRENT SITUATION

During the last decade, community foundations (“Bürgerstiftungen”) have spread throughout Germany. Despite a long, primarily church-related tradition of local giving and volunteering in Germany, the community foundation concept was basically unknown ten years ago. The first German community foundation was established in December 1996 in Gütersloh, following an initiative by the entrepreneur Reinhard Mohn and the Bertelsmann Stiftung. The second community foundation was formally established in December 1997 in Hanover. Since the establishment of these two pioneer foundations, the community foundation movement has gained considerable momentum. By May 2007 there were over 160 legally established community foundations, with numerous founding initiatives under way. Today, community foundations are well established as an innovative form of community-based philanthropy.

This development was fostered by the Bertelsmann Stiftung and other private foundations, which considered community foundations as a particular attractive vehicle for moderately wealthy donors. Therefore, they provided administrative support and technical assistance to several community foundations during their start-up phase. Also, they organized or supported opportunities for peer learning on the national and international level and set up a support structure for community foundations, the “Initiative Bürgerstiftungen” (Community Foundation Initiative), which is now associated with the “Bundesverband Deutscher Stiftungen” (Federal Association of German Foundations) in Berlin.

With over 160 community foundations in almost all parts of the country, the community foundation concept is now firmly grounded in Germany. As measured by their assets, most German community foundations are, however, still quite small. According to a survey conducted in March 2006, total combined assets of the 101 community foundations participating in that survey amounted to approximately €52/ US\$70 million. More than a quarter of these assets consist of donor advised funds (“Treuhandvermögen”). In 2005, total giving of community foundations exceeded €5/ US\$6.8 million, and since 2001 German community foundations have awarded more than three times that amount for charitable activities.

Community foundations are widely seen as instruments to foster civic engagement on the local level. In contrast to the Anglo-American world, most German community foundations are not purely grantmaking organizations. They do not confine their activities to providing financial support for charitable projects but also develop, conceptualize and implement their own programs. In the context of this operative approach, the foundations realize their projects with the help of their own staff and volunteers as well as partner organizations.

Most community foundations established within the last years in Germany are still in their start-up phase. They have a great need for consultation and technical assistance with regard to asset development, management and donor services. Few have professional staff. Many still rely entirely on volunteers. Due to the relatively small asset bases and

the consequently small returns on investment, a significant part of the foundations' annual operating budgets must be secured by ongoing fundraising activities.

TRENDS AND CHALLENGES

Despite these inherent limitations, the future for community foundations in Germany holds great promise. The growth of community foundations is part of an ongoing growth of the German foundations sector. The increase in both the number and size of foundations is the result of the long period of stability and economic prosperity since 1945 that allowed for an accumulation of private wealth that was unprecedented in German history. The ongoing intergenerational transfer of wealth has already left its mark on philanthropy, but there is still untapped potential for more giving. Community foundations are strategically positioned to benefit from these developments.

Demographic shifts impact community need as well as wealth, and therefore influence the activities of community foundations. In many areas migration patterns have left older adults isolated, far from their children or grandchildren. At the same time, older people generally are remaining active and are far from dependent: they are in fact underutilized resources. Migration also contributes to ethnic and religious tensions, which in Germany's case is most apparent with immigrants of Turkish and Islamic origins. In some instances there are "parallel societies": second or third generation immigrants who remain linguistically and culturally separate from the rest of Germany. Conversely some cities, particularly in the East, are struggling with the affects of right-wing youth cultures – neo-Nazi youths. In all of these instances community foundations are mobilizing to address these social divides.

The growth of organized philanthropy in Germany has been fostered by the shift from traditional social welfare policies to new forms of public-private partnerships. Increasingly, the responsibility of government agencies for the funding and delivery of social services is devolving to either private for-profit institutions or nonprofit organizations. As a result, the traditional roles of the state, the private sector, and the not-for-profit sector are being renegotiated and new forms of public-private partnership explored. This search for a new balance between the state and the not-for-profit sector presents new opportunities for community foundations to expand their activities on the local or regional level.

Policymakers and the general public alike increasingly recognize the growing importance of foundations. Consequently, the political debate on reforming the legal and fiscal framework governing foundations has gained momentum. In 2000 the federal government, in an effort to promote the development of philanthropy, passed a law providing new fiscal incentives for setting up a foundation which particularly favored smaller foundations, especially community foundations. The modifications implemented by this law fostered the growth of existing and emerging community foundations.

The intergenerational transfer of wealth, the devolution of government services, and the growing political attention paid to community foundations offer great potential for future growth. Increasing public awareness, though, presents both opportunities and challenges for community foundations. In order to achieve their full potential, they have to professionalize their management capacity and donor services. Both financial sustainability and organizational effectiveness, therefore, constitute the primary challenge for German community foundations today. Most foundations are just beginning to realize the need to invest in capacity building and professional development to ensure that their resources are being used effectively and creatively.

STRATEGIES FOR THE FUTURE

Against this background community foundations in Germany will have to expand their asset development and capacity building efforts. With respect to asset development, a study commissioned by the Bertelsmann Stiftung recommends developing conscious strategies for approaching individual donors and for attracting legacy gifts as the most promising way to reach financial sustainability. Donations from individuals, often in the form of legacies or bequests, already constitute the most important source for community foundation endowments. In order to increase their transactional efficiency, community foundations have to professionalize their management and operations. Technological innovations, like new software programs, will assist this process. The need to operate professionally is also likely to lead to a consolidation of back office services such as accounting, investment, and IT-services, on the regional or even national level. These services are essential for transparency and donor confidence, but they do not constitute a specific area of expertise among community foundations. Joint back office solutions would allow community foundation staff members to concentrate their resources primarily on cultivating donor relationships and implementing programmatic activities.

Although corporate partnerships have played a significant role in the development of community foundations in Eastern Europe, in Germany there are only a few significant cases to date. German community foundations are most successful with individual donors, and many shy away from the corporate world because they feel unprepared to “speak the language” of business. Nonetheless the concept of corporate social responsibility is growing and eventually may offer great promise to community foundations.

To fulfill these strategies it is necessary to overcome the still prevailing mindset of many community foundation board members, staff and donors with respect to capacity building. Some still believe that to be acceptable in their communities they have to minimize their operating costs and maximize the ratio of expenditures on projects and grants to administrative costs. They will have to learn that in order to grow toward financial and organizational sustainability, investments in their administrative and organizational capacity are not only legitimate, but essential.

ITALY

Community Foundation Trends and Strategies

By Bernardino Casadei

Bernardino Casadei is program director of community foundations at Cariplo Foundation, Milan, Italy.

HISTORY AND CURRENT SITUATION

Community foundations were introduced in Italy through a major project promoted by the Cariplo Foundation. Cariplo, a Milan-based foundation whose endowment came from the privatization of what had been the biggest savings bank in the world, decided to promote the community foundation concept for two major reasons: Cariplo hoped to create a network of independent grantmaking organizations that would be natural partners, acting as Cariplo's ears and eyes in local communities and ensuring that the distribution of grants, especially small grants, would be more efficient. Moreover Cariplo wanted to promote a culture of giving in local communities by developing an infrastructure offering donor services and other opportunities to individuals and companies willing to contribute toward shaping the common good.

When the project was launched publicly in April 1998, the community foundation concept was new to the country, although organizers quickly realized that a foundation established in the 1950s (and which later joined the Cariplo effort), Foundation ProValtellina, in fact had all the formal characteristics of a dormant community foundation. Initial doubts about the initiative reflected a lack of awareness about what a community foundation was. The notion of private grantmaking organizations was unheard of in a country where the nonprofit sector remained heavily dependent on public funds and where a culture of giving had been discouraged by the state since unification of the country, in 1870. Many believed it would not be possible to raise local money, and they viewed with suspicion these new institutions that, they feared, might become competitors.

The Cariplo Foundation started by organizing meetings with local authorities to study feasibility and to identify a steering committee. This committee, with the help of Cariplo staff, produced a three-year strategic plan, prepared a budget and wrote the bylaws of the new community foundation. Cariplo offered a €10/ US\$14 million two -to-one challenge grant for endowed fund (two euros given for each euro raised) and a €100,000/ US\$140,000 one-to-one challenge grant for grantmaking in the first year. In addition, Cariplo provided guidance and technical assistance.

With this strategy the first Italian community foundation was established in February 1999, in Lecco, on Lake Como. Within only a few years every county in Lombardy, with the exception of Milan, witnessed the birth of a community foundation.

After the first three years of experience, the Cariplo Foundation began offering community foundations the opportunity to manage, on its behalf, funds it was planning to grant to support small projects in their communities. The community foundations seized this opportunity and now manage more than €11/ US\$15 million each year of flow-through monies coming from Cariplo. As a result of this experience, these community foundations have also been

selected by the regional government to manage more than €3/ US\$4 million of the European Social Fund to support projects helping disadvantaged people find jobs.

Today there are 22 community foundations, 15 of those established by the Cariplo Foundation, two by the Venice Foundation, one by a local bank, one by local authorities, one by a support organization for the voluntary sector and one by an individual who was able to involve the bishop and other local institutions. All of these foundations are in the north of Italy, and together they serve 15 percent of the Italian population.

In 2006 the 12 community foundations promoted by Cariplo raised, not counting transfers from Cariplo, almost 3,000 gifts totaling more than €11/ US\$14.5 million. Their combined endowments reached €160/ US\$210 million, of which almost one-quarter was raised locally. Together, they had given away €18/ US\$24 million through 1,600 grants.

Finally, it is important to note that the Italian community foundations share an advanced, web-based information system which allows them to provide sophisticated services to donors, to be fully accountable and transparent to the community and to keep nonprofit partners informed in real time about their grants. All of this is accomplished with very few staff, in many instances relying exclusively on volunteers.

TRENDS AND CHALLENGES

The Italian government has recently introduced new fiscal benefits for donations for public purposes. Italian community foundations can play a major role in helping donors and nonprofits to take full advantage of this new opportunity. The role of community foundations could be quite compelling considering that the bureaucratic burdens connected with these tax advantages are sometimes significant.

Despite this positive development, the Italian legal framework remains complicated. It is not always clear which activities a charitable organization is allowed to sponsor, and there are no incentives for building and managing endowment.

Another major challenge for Italian community foundations relates to investment strategies. Today most of the governing boards are conservative in their investment policies. Returns are remarkably low, sometimes even below the inflation rate. This approach cannot last if these organizations hope to attract endowed gifts.

To limit overhead costs as much as possible, Italian community foundations – like most new and emerging community foundations throughout the transatlantic region – tend to have lean structures. Operating costs average only six percent of a foundation's budget. Although efficiency is a strength, the foundations must make infrastructure investments if they hope to grow. In particular, they need to promote a culture of giving in their communities in order to achieve their fullest growth potential.

A final problem is one of governance. Board members generally are under-involved in the foundations they are supposed to guide; few board members are donors, and even fewer are actively promoting the foundation in their communities. A related concern is that with only a few exceptions the community foundations are operating without concrete, thoughtful strategic plans. The challenge of self-governance is acute in a society where for many years community leaders were discouraged from proactive involvement in social issues because everything was supposed to be

run by the public administration. Yet unless Italy's community foundations engage their boards more directly, they will struggle both to become major players in their communities and to preserve their independence.

STRATEGIES FOR THE FUTURE

To be in a position to lobby the Italian government for a more favorable legal and fiscal environment, community foundations need to cover a greater part of the country and also develop some independence from Cariplo. Today they are linked closely with the Cariplo Foundation and many people view them as subsidiaries. Fortunately several emerging opportunities promise to expand the presence of community foundations and simultaneously shift the common perception of them. A number of Italian savings bank foundations have decided to join forces to create a new foundation for the south of the country, commonly referred to as the Mezzogiorno. Together they will promote community philanthropy in this underserved area. At the same time the savings bank foundations in the central and northern parts of the country are considering allocating resources as leverage to promote local giving. Community foundations have a great deal of experience in this area. By partnering with the savings bank foundations they will help people to distinguish the broad concept of community philanthropy from the Cariplo project and advance the understanding that community philanthropy can be a fantastic tool to promote community wellbeing.

In this way the country may quickly end up with full or near-full coverage by community foundations. The achievement of such a result will also help community foundations promote partnership as one of the ways they fulfill their mission. The foundations are not there to raise money, but to offer opportunities. In fact there are already many examples of collaboration with other grantmaking institutions such as local authorities, the Church and banks.

Italian community foundations are also working with professional advisors (accountants, lawyers, private bankers) to help them provide philanthropic services to their clients. Community foundations have unique experience in this field, and because this is a brand new but very promising activity in Italy, the foundations expect to play leadership roles in advancing this work.

Another vital area of partnership is with local nonprofit organizations. Italy's community foundations provide technical assistance in areas such as fundraising, promoting shared campaigns. They also seek to capture, assimilate and publish knowledge developed by grantees. This has tremendous potential to help the developing nonprofit sector where, too often, the experience and knowledge developed remains in the heads of individuals and is lost with their departures.

The community foundations external strategies – with government and other stakeholders, donors, professional advisors and nonprofit partners – are each dependent on the foundations' ability to increase efficiencies and devote the resources required to seize opportunities. Italian community foundations are committed to extensive use of information technologies and to the principles of quality management.

Ultimately, if they want to play strategic roles in their communities, Italy's community foundations need to bring more clarity to their mission. In Italy the community foundation was conceived as more than a provider of donor services and of community services. Above all the community foundation exists to promote a culture of giving – of any type of giving – as an end, not a means to an end. The foundations do not collect gifts in order to accumulate more money or to finance good projects – although they certainly do these things – but because they believe that *giving itself* is a value. Of course by promoting this value they will increase their resources and will develop opportunities to support good projects, but these will be just the consequences, not the goals, of their activity. The utopia Italian community foundations are working for is not social justice or a world free from suffering, but a communi-

ties in which everybody works in shaping the common good, following what they believe is right, even when it may not be the best solution. A good community foundation grant under this model is not a grant that solves a problem, but a grant that engages people and builds trusted relationships.

In other words an Italian community foundation aims for a triple-bottom line: financial sustainability, social impact and human growth, in an environment in which the most important is the last of those three because it is the most needed in our society. To achieve such a goal, Italy's community foundations need to develop new and specific benchmarks and standards to ensure they remain true to their ultimate purpose of creating a culture of giving.

MEXICO

Community Foundation Trends and Strategies

By Lourdes Sanz

Lourdes Sanz is coordinator of the community foundations program at CEMEFI, the Centro Mexicano para la Filantropía.

HISTORY AND CURRENT SITUATION

The community foundation movement in Mexico can be traced to efforts by the Centro Mexicano para la Filantropía (CEMEFI) – the Mexican Center for Philanthropy – which began in the early 1990s. With technical advice and financial support from international funders, including C.S. Mott Foundation, W.K. Kellogg Foundation, Rockefeller Foundation and MacArthur Foundation, CEMEFI worked closely with the local business community to establish the Community Foundation of Oaxaca in 1995.

This foundation turned out to be the only one whose impetus and initial funding came from outside its community. In fact, a number of foundations that resembled or shared important aspects of the community foundation model were already in existence. The Chihuahua Business Foundation, for example, was a business sector initiative but was specifically created as the private sector's response to community problems, which were not being addressed. Within a few years these existing foundations came together with the Community Foundation of Oaxaca and four other newly created community foundations to form a project at CEMEFI for the promotion of the community foundation concept. In 2002 this project formalized as an independent affinity group under CEMEFI's sponsorship, called the Community Foundation Group.

Today there are roughly two dozen community foundations either formally established or in the early stages of development. Roughly half meet compliance requirements created by the Community Foundation Group. All of the foundations have at least one paid staff member, the result of a conscious emphasis the Group has placed on the value of separate governance and implementation. In addition, most rely heavily on volunteers, particular with program-related activities.

Although a handful of the community foundations receive a majority of their financial support from international funders, most rely on corporate and local government giving, and the bulk of funds received are for pass-through grantmaking. Building endowment has been a concern largely because of U.S. influences which have pointed to the importance of permanent assets. The Community Foundation Group began a project focused on endowment, and today 13 of Mexico's community foundations have at least US\$100,000 (€75,000) and an emerging sense of stability. The effort, however, is clearly going to require time. Mexico does not have a savings-oriented culture, and the scope and scale of present-day needs unsurprisingly lead donors to focus on immediate results.

TRENDS AND CHALLENGES

Organized philanthropy is relatively new to Mexico. There is a great deal of giving but little is done with strategic intention or follow-up on impact. Most people still give to charity without following up to see what happens to the money. Older donors in particular – those 50 and over – see charity not as social investment but as a way of doing

good. Recently, however, people are beginning to care more and think more about the impact of their gifts. Younger people are more interested in making lasting change and improving life quality.

The rise in strategic giving is in part driven by the emergence of the corporate social responsibility (CSR) movement. CSR is being promoted as something new and desirable, and its influence extends to individuals as well as companies. The corporate sector, however, remains one of the most important partners for community foundations. One of the main services Mexico's community foundations offer is administration of the philanthropic funds of business and even corporate foundations, which essentially are outsourcing their philanthropy to the community foundations. This is true in Guadalajara, for example, where they have cultivated close relationships with roughly 100 business leaders, some give personally and others who give through their firms. It is also true in Puebla, whose growth accelerated after partnering with Volkswagen's large manufacturing plant. The relationship in Puebla is not just with the corporation but with the union as well, and as a result the community foundation has much broader visibility among workers and the community at large.

Mexico has good tax incentives, including no limits on the amounts corporations can deduct from profits donated to charity. CEMEFI is working on proposals to make these conditions even better. For the time being, however, tax breaks have little influence over giving because Mexico's economy is heavily skewed toward informal transactions; it is estimated that as much as half of Mexico's economy is "grey market," and therefore untaxed.

STRATEGIES FOR THE FUTURE

Partnerships with corporations will remain a key growth strategy, and one that influences many aspects of Mexican community foundations' development. Mexico does not have many rich families or individuals. Those interested in helping the community, and with the means, are business people. Small and mid-sized local businesses in particular have resources to offer and the desire to see their communities developed and strengthened.

The importance of corporate partnerships will increase pressure on Mexico's community foundations to be efficient while achieving demonstrable results. Businesses are more concerned than individual donors with cost-benefit analysis. This is an important trend in Mexico.

Most critical for the long-term development of Mexico's community foundations is a focus on donor relationships. Today community foundations are very devoted to community development, but they pay less attention and have less experience engaging donors in ways that help them feel they are part of the community and an important part of solutions to community problems. There are divides between those who have resources and are invited to give and those who are just receiving. Both those groups need to be brought together if community foundations are to succeed. A related priority is building awareness. Mexico's community foundations need to devote resources to raising visibility, not only focusing on problems they are trying to solve, but also on the ways members of the community come together to address those needs.

POLAND

Community Foundation Trends and Strategies

By Iwona Olkowicz and Anna Iwinska

Iwona Olkowicz and Anna Iwinska both promote local grantmaking programs at the Academy for the Development of Philanthropy in Poland.

HISTORY AND CURRENT SITUATION

The Community Foundations Development Program was the first program initiated by the Academy for the Development of Philanthropy (ADPP) in Poland. A feasibility study on establishing community foundations in Poland was prepared in 1998. The next steps in the process were intensive training sessions by American and Polish experts, and study visits to the United States and the U.K.

After ADPP began working with Polish communities in 1998, and the first community foundations were established in Poland by local leaders, donors and local authorities. The first two community foundations were set up in 1998 in Bystrzyca Kłodzka and Lidzbark Warmiński. Another ten were founded over the next two years.

At the end of 2001 ADPP began working with four new communities where the next community foundations were formed, and in 2003 the decision was made to include four other existing coalitions that had been part of other ADPP programs. The assistance these organizations received reflected the experience of the “mature” community foundations and included help preparing development strategies, planning grant programs and setting up operations. The Academy also provided financial assistance to support grant programs, operational costs and capital endowments (as matching grants), and offered training sessions, advice manuals and networking with colleagues via an electronic bulletin.

In 2001 the first 12 community foundations came together and formed the Community Foundations Network in Poland (CFNP). In June 2006, the second tier of eight newly developed community foundations joined CFNP. Today the Network has 20 members with a combined endowment of €1.3/ US\$1.8 million. They have spent more than €1.6/ US\$2.2 million on social purposes (2,200 grants and 4,000 scholarships). They serve regions with over two million residents – about five percent of the total Polish population. In 2005 community foundations distributed 361 grants amounting to 1,038,300 złoty (€240,000/ US\$324,500) and 795 scholarships for children and youth totaling 843,680 złoty (€194,000/ US\$263,500).

Scholarship programs constitute a major component of the work of Poland’s community foundations. They offer financial aid mainly to secondary and high school students. Their grant programs are addressed to local NGOs as well as to schools, community centers and informal local groups. Some community foundations operate their own locally implemented initiatives, such as programs for senior citizens or projects aiming at integrating generations. The Community Foundations Network also is a partner of several national programs run by corporate foundations, private foundations and companies.

TRENDS AND CHALLENGES

Several social trends in Poland are crucial to the community foundations' future development. Foundation leaders must be aware of and responsive to these trends if the foundations' expect to remain relevant in their communities and consistent in their activities. Among these trends the following seem to be of greatest importance:

Demographic shifts

Emigration from Poland has increased significantly in the last few years after the labor markets of some of its European neighbors were opened to the Polish workforce. The migration process includes, among others, young skilled people who are crucial to local philanthropy but, having very limited possibilities for professional development in the local communities, choose to leave. As a consequence community foundations are left without sufficient human resources.

Social divides

With regulations introducing the free market in Poland the country has observed a fairly dramatic process of society dividing itself into a limited group of the rich and a substantial number of poor. As income disparities continue to grow, a considerable group of children and youth are at risk of being educationally deprived.

Demographic and social trends overlap in the area of the elderly. An aging population in which many younger people are emigrating is paralleled by a problem of isolation for the elderly and discrimination against seniors.

STRATEGIES FOR THE FUTURE

Some important aspects of the above-mentioned trends as well as the general condition of the Polish non-governmental sector need to be duly considered by community foundations.

- **Transactional efficiency.** A desire to increase returns on investment of endowed funds is expected to prompt community foundations to form alliances and seek ways of jointly investing capital. An early attempt at pooled investing has already begun by a group of community foundations. The organizations, in partnership with Poland's biggest private grantmakers, have joined in an investment management agreement with a fund management company. The terms of the agreement were negotiated exclusively for the representatives of the NGO sector.
- **Human assets.** To address limited participation by young people in the development of communities, foundations are turning to research on social capital issues to determine ways of stimulating and promoting local leadership. The Academy for the Development of Philanthropy in Poland has helped to outline the general concept for research in this area and intends to share findings with community foundations.
- **Long-term relationships with donors.** Although community foundations have proved efficient in developing funds from national and international sources, few have established strong relationships with the local donors on whom the foundations will depend as the principal source of long-term support and funding. Poland's community foundations must learn how to cultivate local donors.
- **Collaboration and cooperation.** A lot of attention must be given to strengthening the support infrastructure for community foundations. Their networking organization (CFNP) will fall under more pressure to raise operating funds as the Academy for the Development of Philanthropy in Poland slowly limits its financial support for community foundations. CFNP faces numerous challenges, including how to nurture and facilitate effective communi-

cation among its members and the need to enforce the Network's standards across its membership and in particular with newer members.

RUSSIA

Community Foundation Trends and Strategies

By Svetlana Pushkareva

Svetlana Pushkareva represents the Togliatti Community Foundation, in Russia, and was formerly head specialist in the department of business development at Automobile Banking Centre commercial bank, in Togliatti.

HISTORY AND CURRENT SITUATION

The development of community foundations in Russia started with the establishment of the Togliatti Community Foundation (TCF) in 1998. Having adapted the concept to the Russian environment, the management of the TCF with the assistance of Charities Aid Foundation Russia (CAF) and other support organizations, including international funders such as the Ford Foundation, designed a program to promote the concept of community foundations across the country and in former Soviet republics. In 2003 the community foundations in existence came together and formed the Partnership of Russian Community Foundations to support their own development and foster the creation of foundations in other communities. Today there are 17 members of the Partnership, and active community foundations in the cities of Angarsk, Kaliningrad, Nizhniy Novgorod, Obninsk, Oktiabrsk, Perm, Penza, Pervouralsk, Rubzovsk, Saratov, Shelekhov, Telshai, Togliatti, Tumen, Ulan-Ude, Tchaikovsky and Zhigulevsk.

In 2005 members of the Partnership conducted more than 61 grant competitions and gave away more than 42 million rubles (€1.2/ US\$1.6 million), supporting close to 1,000 social projects of local nonprofit organizations. The average grant is under 30,000 rubles (€900/ US\$1,200), and only 56 percent of applicants receive funds. At the end of 2006 endowed funds stood at 59 million rubles (€1.7/ US\$2.3 million)

TRENDS AND CHALLENGES

Generally speaking, Russian community foundations continue to work with limited financial resources and therefore find their competitive edge and strength in non-grantmaking roles. These include acting as philanthropic educator, community catalyst, and convener. Tumen Community Foundation, as an example, organized a competition to promote socially responsible business practices; the foundation in Rubzovsk united top local leaders from different industries to organize a “Charitable Football Marathon”; and the Togliatti Community Foundation conducted a round-table discussion on tax incentives for philanthropy. There are numerous and diverse examples of the creative ways each foundation finds to “wake up” their community.

Russia’s community foundations have little competition. A vacuum of alternative means of organized philanthropy leaves the foundations positioned to grow into leaders. This same lack of competition, however, means there is little pressure for these institutions to improve their business practices. They have yet to work in a concentrated and deliberate way on increasing their visibility, building trust and expanding institutional capacity. Staff, though comprised of bright and dedicated individuals, could benefit from further training as far as the field is relatively new to Russia.

Although the number of supporters of community foundations is growing, it takes effort to maintain those relationships and preserve trust with existing donors while recruiting new ones. Most Russian community foundations still

struggle to cover administrative costs, and endowment building is a constant challenge due to inflation and instability in the larger, evolving market economy.

Politics and the influence of the government on philanthropy is a double-edged sword. On the one hand, the environment is generally favorable for the development of philanthropy in Russia: the year 2006 was announced as the ‘Year of Philanthropy,’ which gave the imprimatur of government and lent legitimacy to the movement. On the other hand, tax privileges have been taken away from nonprofit organizations as part of efforts at “avoiding fraud” – simultaneously eliminating incentives and undermining confidence in the NGO sector. Currently, tax breaks are limited: the Samara region is the only one where companies that give seven percent of net profits to charity get a four percent discount on taxes.

The lack of a tax-break mechanism and an accommodating law considerably limit the donor-base to banks and large enterprises. It is primarily banks that endow funds at Russian community foundations (while managing the money in the bank) that feel secure and encouraged by the partnerships. For other prospective corporate and individual donors the community foundation has perceived risks. In spite of the challenges, some community foundations have managed to attract mid-size and small businesses as well as individuals to contribute to private, donor-designated “named funds” – the model well accepted by Russian donors. For example, the community foundation in Kaliningrad attracted 12 new donors in 2005 – seven individuals and five commercial enterprises. The Togliatti Community Foundation has also tested the new approach of “payroll giving,” where employers match donations of employees. This method yielded 650,000 rubles (€19,000/ US\$25,000) in 2005, and it more than doubled in 2006. Yet overall Russian community foundations struggle to overcome their country’s history as well as present economic realities. Of the funds raised by Partnership members in 2005, only 2.2 million rubles (€63,000/ US\$85,000) were gifted by individuals – less than three percent of the total.

At the moment, the demand for response to acute social issues exceeds the supply of charitable funds. In Saratov, the foundation had 218 applications as part of a 2005 grant cycle but was able to fund only 54 of those. Community foundations are overwhelmed because they are asked to address such vast and diverse causes. Further, community foundations find themselves driven more and more by donor interests without a more comprehensive, strategic approach to community development. The number of donor-advised and designated funds is growing, posing a special challenge to community foundations needing to direct resources to strategically viable projects. The foundations need to educate donors and, in cooperation with their boards and a wider community, identify effective grantmaking strategies.

Another major issue is a broad-based public mistrust of charity organizations, which in turn reflects widespread skepticism of all institutions in the post-Soviet era. The situation has been improving gradually but it may take generations before new philanthropic traditions evolve, residents comprehend and believe in the mission and core functions of their community foundations, and business, government and even board members view community foundations as professional institutions that take bold risks, act as stewards for their communities and therefore need to be treated accordingly.

STRATEGIES FOR THE FUTURE

There are two core strategic responses to current trends: partnerships, and the development of youth philanthropy.

Partnerships: Collaborative Work on Local, National and International Levels

On the local level, the successful development of Russian community foundations is significantly determined by achievements in the three-sector-partnership. Business, local government and NGOs are to be “bridged and bonded.” The emphasis on this strategy is even reflected in the structure of Russian boards: to be viable, trusted and workable they include representation from all three sectors. Partnerships with local government and business are a prerequisite for broadening the donor base, increasing financial security, forging common strategies for community development, changing tax laws and establishing new philanthropic traditions. The political climate ultimately will either hinder or boost the development of community foundations in Russia, and cross-sector relationships are one way of influencing these developments.

On the national level, the strength of Russian community foundations comes from the collaborative Partnership. If managed wisely, it may become a resource offering information and methodologies for establishing new community foundations, but also a platform for exchanging knowledge among network members. The Partnership also is charged with increasing community foundation visibility, representing the field and lobbying on its behalf for favorable policies, and serving as a national-level fundraising channel.

At the international level, the Russian Partnership of Community Foundations needs to gain access to world informational and networking resources available to other support organizations in the field. Given the growing impacts of globalization, Russian community foundations need to be ready for demands for cross-border giving, and to be linked someday to a global e-platform of community foundations.

Youth Philanthropy: Development of Youth Banks

Although most existing financial resources are in the hands of an older generation that has been “corrupted” by the Soviet past with its absence of the giving culture, the future of our communities will lie with the new generation. The leaders of Russian community foundations understand that it is strategically important to grow this next generation of philanthropists, government officials and business managers – people who will take responsibility for themselves and their communities and build a prosperous civil society with a strong economy and solid philanthropic values. For this reason a majority of grantmaking is devoted to youth. In Togliatti, for example, a range of stipend programs for students has been designed: 329 students were supported with stipends of more than 1.5 million rubles (€43,000/ US\$58,000) over the last five years. A model of youth philanthropy called “youth banks,” where the young support the initiatives of the young via a grant competition process at a community foundation, has been piloted at six Russian community foundations, and the prospects for broader dissemination are bright. The pioneer in the field – the Youth Bank in Togliatti – has already supported 17 projects totaling nearly 700,000 rubles (€20,000/ US\$27,000). Although the youth banks are themselves young in this country, they have already started collaborating with each other and with foreign youth philanthropy groups in Berks County and Michigan (United States) and in Canada.

SLOVAKIA

Community Foundation Trends and Strategies

By Katarína Minarová

Katarína Minarová is executive director of the Presov Community Foundation, in Slovakia.

HISTORY AND CURRENT SITUATION

The first community foundation in Slovakia was formed in Banska Bystrica in 1996. The community foundation concept had been brought into the city from the United States by a member of the board of trustees of a local foundation, affiliated with city hall. It was this foundation that subsequently transformed into the first community foundation in Slovakia.

The next three community foundations were established later that year in Presov, Trencin and Pezinok. The latter two initiatives, however, were civic organizations rather than foundations and combined grantmaking with their other programs. Nevertheless, by 2002 both had evolved into foundations.

Creation of these three foundations was assisted and financially supported by the Open Society Foundation (OSF). OSF provided these initiatives with three-year matching grants aimed at building sustainability. It was unknown, however, whether the organizations would be able to engage their communities, develop the skills needed to manage their activities and launch local fundraising, PR, marketing and donor-education activities in a country where the tradition of public giving did not have deep roots.

Even with the support of OSF, the involvement of local activists in the three cities was key in order to make the foundations' operations successful. These community leaders formed the first boards of directors, acted as core groups of volunteers, and provided the platform for communication with local nonprofits, schools, media, potential donors and the community at large.

Between 1996 and 2003 eight more community foundations were created, and there have been several initiatives working toward launching new ones in different parts of the country. New laws regulating foundations were enacted in 2001 and introduced the notion of endowment. Until that time the Slovak nonprofit sector had been practically unfamiliar with the concept of endowment. Under the new laws, however, start-up of a foundation now requires an endowment capital of at least 200,000 Slovak crowns (€6,000/ US\$8,000).

In 2003, eight community foundations founded the Association of Slovak Community Foundations. Today, there are 12 community foundations serving Slovakia, ten of which are members of the Association. According to annual statistics compiled by the Association, the total amount of endowed funds of Slovak community foundations is approximately 11 million Slovak crowns (€325,000/ US\$440,000). The foundations serve roughly 40 percent of the total geographic area of Slovakia and about 1.5 million people, or 35 percent of the country's population. Since 1996, the foundations have awarded over 3,500 grants in their communities totaling more than 35 million Slovak crowns (€1.0/ US\$1.4 million).

TRENDS AND CHALLENGES

Slovak community foundations work in a difficult environment. Several features characterize their communities:

- **No (or highly insufficient) understanding of basic “philanthropic terminology.”** Terms such as philanthropy, community, public giving, endowment, and sustainability had not been used in the Slovak language before. Most of the words are imported, and when replaced with Slovak equivalents – some in fact quite makeshift – they may not convey their original meanings.
- **Lack of a giving tradition.** People are still used to national and local government taking care of their needs. In fact, services have declined even as taxes have increased – and many people do not understand why they should be giving in addition to what they pay in taxes: “I pay taxes so that the country may take care of citizens’ needs.”
- **Giving patterns that are not strategic.** In general, people associate giving with religious charity. Few understand the notion of strategic giving or “joint investment into the community” in contrast to small donations in the church or to charities. Furthermore, many prefer to donate larger amounts to church, for unknown purposes, than to community foundations or local organizations where they may get a very clear explanation of how the money will be used.
- **An unfavorable fiscal and legal environment.** There is a general lack of trust in government and its agencies. In addition, new tax reform does not support giving in any way and has in fact cancelled tax incentives.
- **A weak economy.** Slovakia is a very centralized country. It is very difficult to reach national corporations and financial institutions from regional locations, since practically all of the major businesses are based in the capital city. The country suffers from high unemployment rates, “brain drain,” constant demoralizing of active people striving for changes, non-transparent red-tape systems, huge and complicated state administrative machinery, and great disparities in the economies of individual regions.
- **Lack of funding sources.** There are simply few places to turn for support of community foundation operations.
- **Stiff competition.** In an environment of limited resources there is, predictably, a great deal of competitiveness in the not-for-profit sector, and in particular for corporate giving programs.
- **No track record of success.** There are few positive examples, role models and experiences to offer prospective donors, the public, local authorities and the community at large. This is a critical obstacle to making people aware of the concept of philanthropy and their role in its development.
- **Negative reputations.** The image of the nonprofit sector is weak. Nonprofits are often accused of using raised funds for purposes different from donor intentions, and even of money laundering. This is largely due to a lack of familiarity with nonprofit practices and poor communication with donors and opinion leaders rather than actual personal experiences.

As the trends listed above might suggest, a lot of work community foundations do is connected to donor education and community mobilization. The movement is seeing results. People, however passive and negative, have been responding and providing feedback more than before. It has become easier to approach corporations and other institutions. The society is more open to new ideas and concepts, and community foundations are now able to demonstrate actual outcomes of their work and are learning how to present those results in compelling ways.

The notion of public giving has been promoted more intensively and extensively than ever before. National corporations have launched their strategic philanthropy campaigns and since they can afford access to nationwide media, their campaigns help community foundations explain the need to give back to community, and help communities understand why they should do so. Public attitudes towards giving have improved but it is still going to take years to

implant the notion of giving to the point where it becomes an inherent part of the mentality. Beyond economic weaknesses in a large part of the country, it is the people's mindset that represents the real obstacle to giving.

STRATEGIES FOR THE FUTURE

In spite of the fact that the concept of community foundations is quite alluring for activists in many towns and cities, the formation process has not become faster. This is mainly due to the decline in international funding, which used to play a very important role in launching and sustaining operations on a short-term basis. It is much more difficult to raise operational support from local sources than grantmaking money. Therefore, most emerging initiatives work in the hybrid form of a local association working on its own projects and developing public giving, while trying to accumulate money to provide small grants for local activists.

Those community foundations operating very close to one another may, in the years to come, merge to become more efficient in terms of operating expenditures. As the country is not very large (approximately 50,000 square kilometers with a population of 5.5 million) there may not be a real need for more than the existing dozen in order to achieve coverage of the whole area. Simultaneously, the country may develop a larger number of relatively small, local, volunteer-based organizations with limited resources. Some may become more hybrid organizations, implementing more of their own projects (as opposed to grantmaking) in order to bring in enough funds to sustain their operations. The main funding source may be the European Union's financial assistance to newer E.U. members. Due to the small size of the country, it is highly probable that community foundations will cooperate closely in the future to create national philanthropic programs for donors.

To encourage giving, community foundations must take an active role in communication and negotiations with the government in order to develop a more favorable environment for the nonprofit sector. It is important to:

- Introduce tax incentives
- Develop more respect for nonprofits from state authorities, more support from the government for giving and voluntary activities, and more volunteer involvement in problem-solving on local and national levels
- Better promote outcomes of nonprofits' work, their role and their value for the society

To become truly sustainable, community foundations will need to build their endowments. Mutual current priorities are:

- Education on philanthropy and promoting community philanthropy
- Building trust and long-term partnerships
- Working with corporate donors, and creating strategic relationships with large potential donors locally and at the national level
- Providing advice and assistance for local nonprofits
- Leadership in the community: identification of community issues and opportunities and creation of a platform for partnerships to address these issues and to seize these opportunities

UNITED KINGDOM

Community Foundation Trends and Strategies

By Gaynor Humphreys and Hilary Gilbert

Gaynor Humphreys is past director of WINGS and currently resides in London. Hilary Gilbert is past executive director of the Derbyshire Community Foundation in the U.K. She currently lives in Egypt, where she is co-founder and chair of the Community Foundation for South Sinai.

HISTORY AND CURRENT SITUATION

The U.K. community foundation movement emerged in the 1980s. Although the United States and the U.K. have different cultures, it was recognized from the start that the essence of the American community foundation concept could be transferred to the U.K. as long as the underlying ethos was adapted to reflect U.K. cultural and social structures, building on the country's long tradition of charitable trusts.

Initial impetus for development came from Charities Aid Foundation (CAF) and central government, which together supported the movement's development by assisting with administration and start-up costs for six pilot community foundations. In 1991 CAF joined efforts with the C.S. Mott Foundation to create a competitive challenge grant program, demonstrating that endowment building was feasible in the U.K. and simultaneously raising the profile of community foundations. It was also in 1991 that U.K. community foundations formed a national membership association, now called Community Foundation Network (CFN). By that time there were 15 established and 14 aspiring community foundations. With the establishment of CFN the movement accelerated its development. It has continued to grow rapidly and now provides an effective network of support to voluntary groups, donors and local communities throughout Scotland, Wales, Northern Ireland and most of England.

Today there are 55 community foundations, and their network comprises one of the leading independent funding sources of community activity in the U.K. Over 95 percent of the population currently has access to a community foundation, representing 35 percent growth since 2000. In England, most are county-based, serving populations of between 700,000 and 1.5 million. A number of these foundations also hold geographic funds to address interests on a more localized scale within their counties.

Early-stage community foundations have tended to start with management of one or two funds (often corporate or government/public funds). By comparison, the oldest and largest community foundations today manage between 100 and 150 funds. Total endowed assets as of March 2006 were £141 million (€210/ US\$280 million). Between 2002 and 2005 endowment growth was fuelled by the successful completion of the Time for Growth program, in which ten foundations raised an additional £19.5 million (€29/ US\$39 million) in permanent funds. On the grantmaking side, U.K. community foundations granted over £70 million (€100/ US\$140 million) in the year ending March 2006, supporting over 18,000 local charities and community groups. Over the last decade, U.K. community foundations have administered more than £250 million (€350/ US\$500 million) of giving.

The donor base for U.K. community foundations is mixed, and as of March 2006 stood at 12,500. Individuals and families, companies, charitable trusts, the government and national lottery (BIG Lottery Fund) all give through community foundations. The lottery, for example, since 2003 has routed funds through a trust managed by CFN,

community foundations and their partners to allocate £50 million (€75/US\$100 million) to fund community programs.

Today there are 350 staff and 750 trustees involved in U.K. community foundations. In addition, the foundations engage hundreds of volunteers on local grants panels. Community foundations engage in partnership work with all sectors, reflecting their mixed donor base and commitment to collaboration.

CFN continues to evolve as the trade body and support organization for community foundations. It is structured as a membership association and governed by a board drawn largely from staff and trustees of its members. CFN's support for its members has been considerable, including technical support for and encouragement of network expansion; the securing of major development and regranting funds from government and other funders; and development of customized software for community foundations. In 2006 CFN brokered a partnership with a leading bank, Coutts & Co, whereby accredited community foundations offer bank clients local philanthropy services.

TRENDS AND CHALLENGES

Funding trends

Community foundations, collectively, are the largest independent funding source of local charities and community groups after government. Recent research from a range of sources indicates that although there will be large increases in statutory sources of funding (particularly from central government contracts), there is likely to be an overall decline in income for small and mid-sized voluntary organizations and community groups. U.K. community foundations are concerned about this trend since it could represent both an absolute and relative decline in community-based organizations, with a greater percentage of sector resources allocated to larger organizations. Community foundations therefore have a particular challenge to build an independent funding base for the voluntary sector, to meet the needs of smaller, under-funded community-based groups.

Trends in giving

The vast majority of the British population claims to give to charity, but the poor give a proportionately larger share of their income than the wealthy. Surveys suggest that although the British are willing to give to charity, they also believe strongly in the value and importance of a cradle-to-grave welfare state funded by taxation, and most charities will not support activity which is expected to be state-funded. This approach rules out much of the grantmaking considered standard by community foundations elsewhere, including mainstream education and healthcare.

The U.K. has a highly mobile population, and traditionally people give to high-profile national and international causes and organizations rather than to a local community with which they may not identify strongly. These factors represent a unique difficulty faced by U.K. community foundations. According to recent research, in order to capture the limited market for private donations charities have increased spending massively on fundraising and marketing. In a competitive market where large charities outspend smaller ones by almost four-to-one, most smaller community foundations are challenged to invest on a similar scale.

The current national government actively promotes giving to all registered charities, including community foundations, through improved tax incentives. There are no specific incentives, however, boosting the vehicles offered by community foundations. There is a need for more donor education and the introduction of planned giving products, such as charitable remainder trusts, that particularly target higher net worth individuals. Charities, including CFN, are pushing for a further change in the tax structure to enable these types of products.

In general there is more discussion of philanthropy and giving, particularly in the national media, than there was five years ago. Analysts predict a significant rise in the numbers of the “mass affluent,” representing an opportunity for U.K. community foundations. CFN research suggests that in the long term, the most significant donors to community foundations will be individuals and families, often through their financial advisers. Despite publicity around corporate social responsibility, companies are not likely to contribute more than five to ten percent of community foundation income. Government funds may continue to be part of the mix of community foundation donors, but this depends entirely on future policy developments.

There are undeniable challenges facing the network in some areas of development. For example, U.K. community foundations do not always reflect the multicultural nature of British society itself – particularly in their donor base – and many would greatly benefit from opening up their thinking to see the links with the wider world that exists on their own doorsteps.

It is a continuing challenge for British community foundations to be and be seen as effective agents of change in communities where so many organizations already provide locally sensitive support. Working inclusively and transparently to generate trust, and evaluating community impact, are vital parts of being accepted by often disempowered local people. Translating their concerns into language and actions that will inspire and not alienate financially and politically conservative donors is not a new issue, but will continue to raise its head. As is true of their counterparts in other parts of the world, U.K. community foundations at times are challenged to decide where they stand on sensitive issues. In rural areas and multicultural cities alike, foundations must rise to these challenges if they are to be genuine actors in local civil society, not just palliative grantmakers. They need to secure a niche that positions them as effective players, despite times when doing so requires delivering messages donors do not like to hear.

New community challenges

Global and geopolitical challenges are having increasing impact on local communities in the U.K. and are bringing renewed attention to the issues of disaster planning and emergency response. A recent outbreak of foot-and-mouth disease was devastating to agricultural communities and made the vulnerabilities of other communities more tangible. Climate change has begun affecting coastal communities and overall environmental quality is emerging as a high priority for many historically under-funded communities.

Concurrently, communities across the U.K. are being tested by a breakdown in cohesion and by the growth of ethnic tensions. The war in Iraq and the July 2005 London bombings, in particular, have flamed some conflict and prejudice, but there are other, larger trends that are reshaping communities. The population of the U.K. is aging overall, as in many E.U. countries, and the growth that exists in some areas is due mainly to immigration. There has been a big influx of young people from Central Europe. Many are temporary workers who come for short periods and do not put down roots, and yet generate need for culturally and linguistically appropriate services. In some rural areas in Wales, for example, organizations are being called on to provide services in Polish. Inevitably, prejudice and discrimination complicate efforts to respond to these needs, and to build cohesive, healthy communities.

Economically the southeast area of England – in and around London – is generating enormous amounts of wealth concentrated in fewer and fewer hands. The gap between rich and poor is getting bigger, and poverty is becoming less visible even as it grows more extreme. Community foundations must work to help people understand the scope of poverty and need that exists, and to connect this need with the increasing wealth.

Growth and development

Now that community foundations are established in most parts of the U.K., the emphasis for development has shifted toward their professionalism and sustainability. Today very few operate on a part-time or volunteer basis, although most community foundations involve large numbers of volunteers on grant panels. Funding to pay for day-to-day operations, fundraising and infrastructure development remains hard to secure, and lack of investment hampers growth. Fee income earned by managing large government grant programs, on which many smaller community foundations have relied for revenue support, is declining and endowed funds are not growing at sufficient pace to offset this decline. This trend may force downsizing and narrowing of priorities in many U.K. foundations in the next few years.

Nonetheless, because community foundations cover most of the U.K., they remain an attractive proposition to national and regional donors (government, corporate, other grantmaking foundations) who need intermediary help in delivering funding into local areas. Examples are provided by the BIG Lottery Fund and Comic Relief's Sport Relief program. This type of funding, however, can also create challenges as it is usually based on pass-through grantmaking and does not add to the community foundation's endowment or assets.

The profile of community foundations at a national level continues to be quite low even though the nonprofit sector and certain government departments now accept them as "part of voluntary sector infrastructure." To boost public confidence and visibility, the national association and its members have developed standards, which have been endorsed by the U.K.'s Charity Commission. CFN's Quality Accreditation will cover 80 percent of the network through the accreditation process by September 2007.

STRATEGIES FOR THE FUTURE

Prospects look good for the long-term, but not for all organizations. The trend of substantial growth should continue for the foreseeable future, but this growth will continue to concentrate in some communities more than others. Short to medium term most community foundations still have the challenge of building an independent, sustainable funding base. This may mean that some community foundations merge or join forces to keep costs down.

A strategic partnership with the Government's Volunteering and Giving Unit of the Office of the Third Sector provides community foundations with an opportunity to influence the giving debate and development of giving policy in the U.K. The brokerage role of CFN with national and regional donors could increase, which will lead to an inevitable review of what functions can be centralized for greater efficiency. For example, a common investment fund for U.K. community foundations might provide investment efficiency. Continuing improvement in IT skills and capacity will significantly enhance the ability of community foundations to perform effectively and cost-efficiently.

Growing availability of community data via the web may in fact have diminished community foundations' niche as key holders of information about need and solutions. Community foundations need to refresh what they know and challenge their own assumptions about the changing needs of their communities, and they must continue to develop their leadership capability.

The increase in media coverage of philanthropy and giving will provide an opportunity to raise community foundations' visibility but will only be successful if there is investment in communications and marketing. London is a particularly important market where the development of a community foundation has been complicated. A high proportion of the rich and of policy influencers are London-based while having close ties to other parts of the U.K. Building

these leaders' awareness of community foundations may be the most critical driver for fulfilling the potential of community foundations across the U.K.

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Many thanks to Eleanor Sacks, from whom we have drawn liberally, and to Community Foundation Network staff, especially Clare Brooks and Stephen Hammersley.